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## **TEACHER EARLY RETIREMENT**

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**5 x 15 EARLY RETIREMENT INCENTIVE  
REDUCES LOCAL SCHOOL DISTRICT BUDGETS,  
MAINTAINS CLASS SIZES, PRESERVES TEACHERS' JOBS,  
AND SUSTAINS LONG ISLAND ECONOMY**

*Prepared by*

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# TEACHER EARLY RETIREMENT

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## **5 x 15 EARLY RETIREMENT INCENTIVE REDUCES LOCAL SCHOOL DISTRICT BUDGETS, MAINTAINS CLASS SIZES, PRESERVES TEACHERS' JOBS AND SUSTAINS LONG ISLAND ECONOMY**

If New York State continues to cut aid to education, it will force local school districts to cut spending or raise property taxes. In this economic climate, those options could lead to an educational crisis in New York State and on Long Island. Just as the state is unable to increase aid to education, so are taxpayers. At risk is losing qualified teachers, so important to high school graduation rates in New York State, and the resources necessary for educating children struggling to overcome the socio-economic effects of poverty and hindering their ability to graduate from high school. This should not happen in New York State where the state's responsibility was clearly stated in 1982 when the New York State Court of Appeals affirmed that the New York State Constitution guaranteed all New York Children an opportunity for "a sound basic education."

Sadly, there appears to be a leadership void in the New York State Legislature for additional aid to education, or to provide leadership, for what is required for educating some of New York's poorest children to meet state high school graduation standards. The state should begin exploring real reform measures that will lighten the financial burdens of local property taxpayers, while not penalizing one region of New York State for the benefit of others.

One reform example is state mandates. As New York State cuts aid to education, it should provide temporary mandate relief to localities for the cost of those mandates. For this to happen, upstate, downstate, suburban communities, and New York City have to overcome their geographical and political divisions in the state Assembly and Senate and work together.

Similarly, at local levels, school boards and teacher unions have to overcome their natural structural adversarial positions to maintain the educational quality of Long Island schools. Despite this, some Long Island school districts have forged equitable solutions to the aid to education reduction. However, other districts find the solution evasive, for example, unions who won't negotiate wage freezes or staff reductions for fear of giving away too much before they understand how much money is coming from Albany. The same is true for local school boards who do not want to impact more teachers than necessary. As for teachers who are looking at retirement, the economy is keeping more of these higher wage teachers in jobs, when most were expected to retire and make way for younger and lower cost teachers.

While, by most accounts, New York State will reduce aid to education, it appears little is being done, except for layoffs of teachers and administrators, which is the result of the circular, non-negotiable posture between unions and school boards — all because the state has not determined what the aid to education will be and which school districts will be impacted the worst.



What can not be overlooked are the academic successes of high school students, their improving high school graduation rates, and their higher scores on state achievement tests. How the current wave of staff reductions will impact students striving to meet state education standards and high school graduation rates is something to consider. Research has shown that high school graduation rates between those meeting the state standard of 90% and those high schools with 80% or lower graduation rates are impacted by the qualified teacher rate in those high schools and students who have lived in poverty.

Teachers of students in poverty require special training to help these students achieve similar academic levels as other students. Depending on the availability of qualified teachers in the job market and costs of their specialized training, wages of these specialized teachers often are higher than for non-specialized teachers and may not be affordable in the current aid-to-education reduction atmosphere. Another consideration is that class sizes will have to go up which has also been found to impact a student's ability to meet state standards.

So the question is: *What can be done to maintain class sizes, reduce local school district budgets, and not reduce current teacher staffing?* This can be accomplished by changing the financial structure of this round of state aid to education reductions, because the reality is just as New York State can not afford to increase aid to education, local property taxpayers can not afford to pay for anymore growth in local school budgets.

An approach that would retain current teacher employment levels, cut local school district spending, and maintain class sizes would require New York State to pass legislation allowing a one-time early retirement opportunity for teachers over 55 years-of-age with 15 years of service by providing five years of service credit to teachers within five years of retirement age. This would effectively transfer teachers' payroll from local school district budgets to the State retirement system. Instead of wages, retiring teachers would now receive their pensions from the New York State retirement system.

Replacing the teachers opting to retire would be younger teachers who would earn as little as 40% of what retiring teachers are currently earning. This would save school districts the higher costs of retiring teachers' wages and the respective pension contribution. There would be the educational benefit of preserving classroom student-teacher ratio, while also providing school districts with the budget reductions that would help absorb the state aid to education cuts. Furthermore, since the wages of one retired teacher equates to the wages of two new teachers, by having a teacher retire, and hiring a new teacher at lower wages, the school district could effectively not have to reduce teaching staff while also achieving savings from what would effectively be staff reduction. This plan is called the *5 for 15 Early Retirement Incentive*.

This is how it works:

Experienced ( <i>and presumed retiree</i> ) teacher earns approximately .....	\$ 85,000
New teacher would earn approximately.....	<u>35,000</u>
Savings to school budgets to absorb Albany cuts .....	\$ <u>50,000</u>



Estimates appearing in *Newsday* reflect that 2,100 teachers could lose their jobs under the current state aid-to-education-reduction scenario. That is an average of 16 teachers per Long Island School District. Other estimates have teacher job losses reaching as much as 4,000. This is an average of 32 teachers per Long Island school district. Within this perspective the five-year incentive credit for 4,000 retiring teachers would have five unfunded years at a 10 % increase in retirement pensions for the four thousand teachers as follows:

Additional annual pension costs for retiring teachers  
under early retirement.....\$ 6,000 x 4,000 (or \$ 24,000,000)

Savings from reduced pension contributions of 7%  
for districts who replace these 4,000 teachers  
earning \$ 85,000 for a savings of .....\$ 5,950,000 x 4 (or \$ 23,800,000)

Net savings of replacing 4,000 teachers earning \$ 85,000  
with 4,000 teachers earning \$ 35,000 .....\$ 200,000,000 x 4 (or \$ 800,000,000)

The growth in recent investments in the Pension System could absorb the extra costs, without assigning new debt to the districts for retiring teachers resulting in interest payments, as Governor Mario Como did in January, 1991.

On a preliminarily basis, there appears to be real savings for Long Island school districts under the 5 x 15 *Early Retirement Incentive proposal*, with costs and savings verified by the New York State Comptroller. If this is correct, we can claim to have found a structural change to Long Island's high property taxes by moving teachers from school budgets to the State retirement system. Someone has to think out-of-the-box, instead of what is happening now, which is that everyone is crawling into-the-box and pulling the cover in over them.

